



Part A - RIN Index

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1 RIN Index

TABLE 1: GENERAL

RIN Requirement	Response
<p>1.2 Provide all financial information on a financial year basis and set out:</p> <p>(a) whether the information is actual information, estimated information or forecast information. For information in the nature of a forecast or estimate provide a statement of the basis of the forecast or estimate; and</p> <p>(b) the units of measurement for parameters or values used to derive or infer values; and</p> <p>(c) whether the information is expressed in nominal, real or another basis and include the base year of information where relevant.</p>	1.2 Please refer to Attachment 1.1 (RIN Template).
<p>1.3 All financial information provided in the regulatory templates must be:</p> <p>(a) on a financial year basis, unless otherwise specified;</p> <p>(b) actual financial information for the first three years of the current access arrangement period;</p> <p>(c) estimate or forecast financial information for year four of the current access arrangement period, to be updated with actual information when that becomes available during the review;</p> <p>(d) estimate or forecast information as appropriate for year five of the current access arrangement period;</p> <p>(e) forecast financial information for the next access arrangement period;</p> <p>(f) where required, actual financial information for the five years of the previous access arrangement period.</p>	1.3 Please refer to Attachment 1.1 (RIN Template).
1.4 All expenditure forecasts for the <i>next access arrangement period</i> provided to the AER in response to this RIN must be in real (end of the fifth year of the <i>current access arrangement period</i>) dollars and on a financial year basis, unless specified otherwise.	1.4 Please refer to Attachment 1.1 (RIN Template).
1.5 Provide any calculations used to convert real to nominal dollars or nominal to real dollars for the purposes of providing the information required under sections 1.3 and 1.4 above.	1.5 Please refer to Attachment 1.1 (RIN Template).
1.6 Provide an explanation should capital and operating expenditure provided in the <i>regulatory templates</i> be materially different to information previously submitted to the AER such as via annually submitted RINs.	1.6 AGN installed a new compressor at Angaston, which provides services to the regulated South Australian network and an unregulated network in Mildura. AGN adjusted the allocation of the costs in 2012/13 and 2013/14 towards the unregulated network in Mildura where most of the benefits are attributed.
1.7 In the relevant <i>regulatory template</i> , report any change and the materiality of that change where any method of allocation under section 1.6 changes over time.	1.7 Please refer to Attachment 1.1 (RIN Template).
1.8 Where <i>historical information</i> provided in the <i>regulatory templates</i> has previously been reported to the AER:	1.8 Please refer to Attachment 1.1 (RIN Template).
(a) this information must reconcile with the previously	

RIN Requirement	Response
<p>provided information; or</p> <p>(b) explain why the information does not reconcile with the previously provided information.</p>	
<p>1.9 For each change identified in the response to section 1.8:</p> <p>(a) explain the nature of and the reasons for the variation; and</p> <p>(b) quantify the effect of the variation on the annual Regulatory Information Notice for the relevant regulatory year.</p>	1.9 Please refer to Attachment 1.1 (RIN Template).
<p>1.10 For each of the following items, identify each material difference between that reported in the annual Regulatory Information Notices and the amount approved for the current access arrangement period:</p> <p>(a) Total actual revenue and total forecast revenue;</p> <p>(b) Total actual operating expenditure and total forecast operating expenditure;</p> <p>(c) Total actual capital expenditure and total forecast capital expenditure; and</p> <p>(d) Demand forecasts.</p>	1.10 Please refer to Attachment 1.1 (RIN Template).
<p>1.11 Explain the reasons that caused each <i>material difference</i> identified in the response to section 1.10 including:</p> <p>(a) whether this is recurrent or a one off variation;</p> <p>(b) the factors which generally influenced the variation; and</p> <p>(c) whether the variation is due to factors beyond AGN SA's control.</p>	1.11 Please refer to Attachment 1.1 (RIN Template).
<p>1.12 Explain how the differences identified in response to section 1.10 and explanations in response to section 1.11 have been factored into generating expenditure forecasts for the next access arrangement period.</p>	1.12 Please refer to Attachment 1.1 (RIN Template).
<p>1.13 Capital expenditure and operating expenditure forecasts provided in the regulatory templates must be reconciled to the ex-ante capital and operating allowances in post-tax revenue model for the next access arrangement period.</p>	1.13 Please refer to Attachment 1.1 (RIN Template).
<p>1.14 To avoid doubt, where information is requested either in this written document, or in a regulatory template attached in Appendix A, but not in both, the information is required as instructed in either this written document or in the regulatory template.</p>	1.14 Please refer to Attachment 1.1 (RIN Template).
<p>1.15 Provide a table that references each response to a section in this Schedule 1, where it is provided in or as part of the access arrangement proposal.</p>	1.15 Please refer to the remainder of this document.

TABLE 2: SERVICE PROVIDER DETAILS AND BUSINESS CONTEXT

RIN Requirement	Response
2.1 Provide all details of any local agent(s) of AGN SA.	Craig de Laine, General Manager – Regulation 08 8418 1129, 0403 309 940 Craig.delaine@agnl.com.au

TABLE 3: BACKGROUND TO THE PIPELINE

RIN Requirement	Response
<p>3.1 For the current access arrangement period for each pipeline service provided by the way of AGN SA's gas distribution system that is not specified as a reference service in AGN SA's access arrangement proposal, provide:</p> <p>(a) the annual volume of demand in GJ ; and</p> <p>(b) numbers of users.</p>	3.1 Please refer to Part B of this Attachment.

TABLE 4: DEMAND

RIN Requirement		Response
4.1	<p>Provide:</p> <p>(a) an explanation of any trends in demand and volumes over the current access arrangement period and the next access arrangement period;</p> <p>(b) details of the key drivers behind the demand forecasts provided in response to regulatory templates 27, 28 and 29;</p> <p>(c) any methodology and models that have been used to develop the demand forecasts;</p> <p>(d) any data sets used as inputs into the models;</p> <p>(e) any key inputs and assumptions that have been used in the models (including in relation to economic growth, customer numbers and policy changes) and provide any associated models or data relevant to justifying these inputs and assumptions and how demand for pipeline services is differentiated;</p> <p>(f) an explanation of any weather normalisation models, how weather data has been used, and how AGN SA's approach to weather normalisation has changed over time;</p> <p>(g) an explanation of any appliance models, where used, or assumptions relating to average customer energy usage (by customer type);</p> <p>(h) how the forecasting methodology used is consistent with, and takes into account, historical observations (where appropriate), including any calibration processes undertaken within the model (specifically whether the load forecast is matched against actual historical load); and</p> <p>(i) an explanation of how the demand forecasts have been used to develop AGN SA's capital expenditure and operating expenditure forecasts.</p>	4.1 Please refer to Chapter 14 and Attachments 14.1-14.4.
4.2	<p>Provide:</p> <p>(a) evidence that any independent verifier engaged has examined the reasonableness of the method, processes and assumptions in determining the forecasts and has the requisite expertise to undertake a verification of forecasts; and</p> <p>(b) all documentation, analysis and models evidencing the results of the independent verification.</p>	4.2 Please refer to Chapter 14 and Attachments 14.1-14.4.

TABLE 5: FORECAST PRICE CHANGES

RIN Requirement		Response
5.1	Identify the labour and material price changes proposed in the estimation of the forecast capital expenditure proposal and the forecast operating expenditure proposal.	5.1 Please refer to Chapters 7 and 8, Attachments 7.5 (BIS Shrapnel), 7.7 (Opex Model) and 8.7 (Capex Model)
5.2	Provide: <ul style="list-style-type: none"> (a) the model(s) used to derive and apply all price changes assumed in the estimation of the forecast capital expenditure proposal and the forecast operating expenditure proposal, including any proprietary model(s) provided by a third party; (b) in relation to labour escalators, a copy of the current Enterprise Agreement or equivalent agreement; and (c) evidence that the price measures explain those cost changes which are attributed to price changes, including evidence of any materials price forecast method which explains the historic change in the price of materials purchased by network service providers. 	<ul style="list-style-type: none"> (a) Attachments 7.4 (BIS Shrapnel, Real Cost Escalation Report), 7.6 (Opex Model) and 8.8 (Capex Model). (b) Please refer to Part B of this Attachment. (c) Please refer to Chapters 7 and 8.
5.3	Explain: <ul style="list-style-type: none"> (a) the methodology underlying the calculation of each price change, including sources, data conversions, the operation of any models provided under section 5.1(a) and the use of any assumptions, such as lags or productivity gains; (b) whether the same price changes have been used in developing both the forecast capital expenditure proposal and forecast operating expenditure proposal; (c) if the response to section 5.3(b) is no, why it is appropriate for different expenditure escalators to apply. 	<ul style="list-style-type: none"> (a) Please refer to Chapters 7 and 8, Attachments 7.6 (Opex Model) and 8.8 (Capex Model). (b) Please refer to Chapters 7 and 8. (c) Please refer to Chapters 7 and 8.
5.4	If an agreement provided in response to section 5.1(b) is due to expire during the next access arrangement period, explain the progress and outcomes of any negotiations to date to review and replace the current agreement.	5.4 There is no progress on the next EBA, as the current EBA took affect on 10 June 2015 and is not due to expire for three years.

TABLE 6: CAPITAL EXPENDITURE

RIN Requirement	Response
<p><i>AGN SA's capex model submitted as part of AGN SA's access arrangement information</i></p> <p>6.1 Regulatory templates 3 to 14 provide instructions that where the information requested is duplicated in AGN SA's capex model submitted as part of AGN SA's access arrangement information, that AGN SA is not required to populate the RIN templates collecting the same information. This provision is subject to the following requirements:</p> <p>(a) The annual gross and net total expenditure amounts at a category and subcategory level in the AGN SA capex model must equal the RIN template amounts.</p> <p>(b) The expenditure amounts are captured within the same category and subcategory of capex in the AGN SA capex model and the RIN templates.</p> <p>(c) The escalation, related party margin and overhead amounts are identically applied at a category/subcategory and project level in the AGN SA capex model and the RIN templates. The escalation in the AGN SA capex model must be linked at a subcategory or project level and be able to be adjusted, such that the expenditure including escalation adjusts for changes made to the applied escalation.</p> <p>(d) The capex model must set out for each year of the last five year period actual expenditure, volume and unit rate data by category and subcategory.</p>	<p>6.1 Not applicable.</p>
<p><i>Capital expenditure in the previous access arrangement period</i></p> <p>6.2 Provide capital expenditure at a project level and at a capex subcategory level in regulatory templates 4 to 14. Where data is either not available to AGN SA or it is not practical to produce the data:</p> <p>(a) explain why; and</p> <p>(b) provide data at the most disaggregated level available to it.</p>	<p>6.2 Please refer to Attachment 1.1 (RIN Templates).</p>

RIN Requirement	Response
<p><i>Capital expenditure in the current access arrangement period</i></p> <p>6.3 Explain:</p> <p>(a) any material difference for each capex category between:</p> <p>(i) the <i>capital expenditure</i> approved by the AER and the actual and/or estimated <i>capital expenditure</i> for the <i>current access arrangement period</i>; and</p> <p>(ii) the <i>capital expenditure</i> proposed by AGN SA in the <i>previous access arrangement proposal</i> and the actual and/or estimated <i>capital expenditure</i> for the <i>current access arrangement period</i></p> <p>(b) in terms of the nature of the work undertaken (scope, scale or other deviation from proposed works), the volume and the cost (deviation in unit rates); and</p> <p>(iii) whether and how AGN SA considers that conforming capital expenditure added to the capital base in the current access arrangement period meets the requirements of Rule 79 of the NGR.</p>	<p>(a) Please refer to Chapter 4.</p> <p>(b) Please refer to Chapter 9.</p>
<p><i>Speculative capital expenditure account, reused redundant assets, redundant assets and disposals in the current access arrangement period</i></p> <p>6.4 Provide an explanation for whether and how AGN SA considers the requirements of section Rule 79 of the NGR are met for any amounts added to or deducted from the opening capital base:</p> <p>(a) from the speculative capital expenditure account;</p> <p>(b) for the reuse of redundant assets;</p> <p>(c) for redundant assets; and</p> <p>(d) for disposals.</p>	<p>6.4 Not applicable.</p>

RIN Requirement	Response
Forecast <i>conforming capital expenditure</i> in the <i>next access arrangement period</i>	
<p>6.5 For each capex category and expenditures comprising the categories identified in the regulatory templates 4 to 14, provide an overall description including:</p> <p>(a) a definition and explanation of any materiality threshold test that AGN SA intends to apply to categorise forecast conforming capital expenditure projects;</p> <p>(b) the nature of forecast conforming capital expenditure projects or programs material to each capex category, including a brief description of the capital expenditure and, where relevant, the location of the expenditure on the distribution pipeline;</p> <p>(c) key drivers of the proposed expenditure;</p> <p>(d) an explanation of how expenditure is distinguished between:</p> <p>(iv) new customer connections capital expenditure and augmentation capital expenditure;</p> <p>(v) augmentation capital expenditure, driven by demand, and mains replacement capital expenditure, other distribution system capital expenditure, driven by asset condition and other drivers; and</p> <p>(vi) any other capex category or opex category where AGN SA considers that there is reasonable scope for ambiguity in categorisation.</p>	<p>6.5 Please refer to Chapter 8 and Attachments 8.1-8.8.</p>
(e) details as to whether the forecast conforming capital expenditure is to be funded by parties other than AGN SA;	(e) Not applicable.
(f) details of contractual agreements with parties where capital contributions are made by users to new capital expenditure (see Rule 82);	(f) Not applicable.

RIN Requirement	Response
<p>6.6 For forecast conforming capital expenditure, in total and in terms of each capex category, explain:</p> <p>(a) how it reasonably reflects the new capital expenditure criteria set out in Rule 79(1) of the NGR, and how AGN SA has interpreted these criteria;</p> <p>(b) how the forecast conforming capital expenditure is justified under Rule 79(2) of the NGR and how AGN SA has interpreted these subrules; and</p> <p>(c) how any plans, policies, procedures, regulatory obligations or requirements, consultants reports, economic analysis and assumptions have been used to justify the forecast conforming capital expenditure.</p>	<p>6.6 Please refer to Chapter 8.</p>
<p>6.7 If Rule 79(2)(a) is relied on to justify the forecast conforming capital expenditure, provide:</p> <p>(a) the calculations of the economic value of the capital expenditure that directly accrues to the service provider, gas producers, users and end users; and</p> <p>(b) an explanation of the nature and quantification of the economic value that directly accrues to the service provider, gas producer, users and end users (see Rule 79(3)).</p>	<p>6.7 Please refer to Attachment 7.1.</p>
<p>6.8 If Rule 79(2)(b) is relied on to justify forecast conforming capital expenditure, provide:</p> <p>(a) the information AGN SA relied on to determine the expected incremental revenue to be generated as a result of the forecast conforming capital expenditure;</p> <p>(b) a description of the incremental service or services (see Rule 79(4)(a));</p> <p>(c) the incremental revenue (see Rule 79(4)(b));</p> <p>(d) the incremental expenditure (see Rule 79(4)(b)); and</p> <p>(e) the discount rates that AGN SA used to determine the present value of the incremental revenue.</p>	<p>6.8 Please refer to Attachment 7.1.</p>
<p>6.9 If Rule 79(2)(c)(i), (ii) or (iii) is relied on to justify the forecast conforming capital expenditure, provide:</p> <p>(a) an explanation of which item in Rule 79(2)(c)(i), (ii) or (iii) is relied on;</p> <p>(b) the relevant regulatory obligation or requirement (if any) and the relevant authority or body enforcing it;</p> <p>(c) an explanation of whether and how AGN SA considers that the forecast conforming capital expenditure satisfies the item in Rule 79(2)(c)(i), (ii) or (iii) being relied on; and</p> <p>(d) any supporting technical or other external or internal reports about whether and how AGN SA considers that the forecast conforming capital expenditure addresses the relevant item in Rule 79(2)(c)(i), (ii) or (iii).</p>	<p>6.9 Please refer to Attachment 7.1.</p>

RIN Requirement	Response
<p>6.10 If Rule 79(2)(c)(iv) is relied on to justify forecast conforming capital expenditure, provide:</p> <p>(a) an explanation of the change in demand for existing services necessitating the forecast conforming capital expenditure, including a measure of the change in demand; and</p> <p>(b) any reports or other information and documentation that supports whether and how AGN SA considers that the forecast capital expenditure will meet the increase in demand for existing services.</p>	<p>6.10 Please refer to Attachment 7.1.</p>
<p>6.11 Explain how each response provided to section Error! Reference source not found. is reflected in any increase or decrease in expenditures or volumes, particularly between the current access arrangement period and next access arrangement period, provided in regulatory templates 4 to 14.</p>	<p>6.11 Please refer to Chapter 8 and Attachments 8.1-8.8.</p>
<p>6.12 For the following capex categories: augmentation, mains replacement, telemetry, regulators, IT, other distribution system, other non-distribution system provide a project list which details for each project in the capex category:</p> <p>(a) an internal identification code, which will enable AGN SA to report actual capital expenditure against forecast capital expenditure;</p> <p>(b) the project name used internally by AGN SA;</p> <p>(c) the cost and timing of the project capital expenditure; and</p> <p>(d) a brief description of the project and its scope.</p>	<p>6.12 Please refer to Chapter 8 and Attachment 1.1 (RIN Template).</p>
<p>6.13 Describe how the forecast conforming capital expenditure was prepared, including:</p> <p>(a) the forecasting methodologies used;</p> <p>(b) how its preparation differed or related to budgetary, planning and governance processes used in the normal running of AGN SA's business;</p> <p>(c) processes for ensuring amounts are free of error and other steps in quality assurance; and</p> <p>(d) if and how AGN SA considered the resulting amounts, when translated into price impacts, were in the long term interest of consumers.</p>	<p>6.13 Please refer to Chapter 8, Attachment 1.1 (RIN Template) and Attachments 8.1-8.8.</p> <p>(d) Please refer to Attachment 7.1.</p>
<p>6.14 In relation to any source material (including models, documentation or any other items containing quantitative data) used by AGN SA to develop its forecast conforming capital expenditure, provide:</p> <p>(a) a copy of this source material;</p> <p>(b) all calculations that demonstrate how data from the source material has been manipulated or transformed to generate data provided in the regulatory templates.</p>	<p>6.14 Please refer to Attachments 8.1-8.8.</p>

RIN Requirement	Response
<p>6.15 Identify which particular items of AGN SA's forecast conforming capital expenditure have:</p> <p>(a) been derived directly from competitive tender processes;</p> <p>(b) been based upon competitive tender processes for similar projects;</p> <p>(c) been based upon estimates obtained from contractors or manufacturers;</p> <p>(d) been based upon independent benchmarks;</p> <p>(e) been based upon actual historical costs for similar projects; and</p> <p>(f) reflected any amounts for risk, uncertainty or other unspecified contingency factors, and if so, how these amounts were calculated and deemed reasonable.</p>	<p>6.15 Please refer to Attachment 8.4 (Unit Rates Report).</p>
<p>6.16 Provide any relevant internal decision making documents relating to approval of the forecast conforming capital expenditure and any other internal or external documentation or models that justify the forecast conforming capital expenditure, including but not limited to:</p> <p>(a) business cases;</p> <p>(b) feasibility studies;</p> <p>(c) forecast demand studies and internal reports; and</p> <p>(d) the date of any relevant internal decision making body/management decisions and board decisions.</p>	<p>6.16 Please refer to Attachments 8.1-8.8.</p>
<p>6.17 Provide all documents which were taken into account and relate to the deliverability of forecast conforming capital expenditure and explain the proposed deliverability.</p>	<p>6.17 Please refer to Chapter 8, Attachment 7.1 and Attachments 8.1-8.8.</p> <p>In addition, please refer to Part B of this Attachment.</p>
<p><i>Capital expenditure that is not conforming in the next access arrangement period</i></p> <p>6.18 Provide:</p> <p>(a) a justification for the different rate of return, if the balance of the speculative capital expenditure account increases at a rate different to the rate of return implicit in a reference tariff (see Rule 84(2));</p> <p>(b) in regulatory template 2, (where relevant) the escalation rates used in deriving forecasts for capital expenditure other than conforming capital expenditure, if different from escalation rates provided in section Error! Reference source not found.(b) of this Notice; and</p> <p>(c) details of the mechanism to prevent AGN SA from benefiting, through increased revenue, from the capital contributions by a user in the next access arrangement period (see Rule 82(3)).</p>	<p>6.18 Not applicable.</p>

RIN Requirement	Response
<p>Capital redundancy policy in the <i>next access arrangement period</i></p> <p>6.19 If relevant, provide:</p> <p>(a) an explanation of the proposed mechanism to remove redundant assets from the capital base including:</p> <p>(i) when the mechanism will take effect; and</p> <p>(ii) whether the mechanism includes a proposal for cost sharing between the service provider and users associated with a decline in demand for pipeline services;</p> <p>(b) a justification for the mechanism;</p> <p>(c) an explanation of what uncertainty the mechanism may cause; and</p> <p>(d) the effect of this uncertainty on AGN SA.</p>	<p>6.19 Not applicable.</p>

TABLE 7: OPERATING EXPENDITURE

RIN Requirement	Response
<p><i>Operating expenditure in the current access arrangement period</i></p> <p>7.1 Provide related party details and an explanation of any non-recurring expenditures in the current access arrangement period.</p>	<p>7.1 Please refer to Chapter 7 and Attachment 1.1 (RIN Template).</p>
<p><i>Forecast operating expenditure in the next access arrangement period</i></p> <p>7.2 For forecast total operating expenditure provide:</p> <p>(a) a description and explanation of the major drivers for the increase/decrease in expenditure by opex categories between the current access arrangement period and the next access arrangement period;</p> <p>(b) whether there are changes to the operations of the pipeline from the current access arrangement period that have resulted in material changes to opex categories and total operating expenditure in the next access arrangement period, including a definition of the materiality threshold used by AGN SA to identify such changes;</p> <p>(c) the models or methodology used to develop the forecast total operating expenditure;</p> <p>(d) a description of how the forecast was prepared, including:</p> <p>(iii) how forecast operating expenditure reasonably reflects the criteria set out in Rule 91(1) of the NGR;</p> <p>(iv) if a revealed cost base year approach was used to forecast total operating expenditure;</p> <p>1) what the base year is; and</p> <p>2) why that base year represents efficient, recurrent costs;</p> <p>(v) if a revealed cost base year approach was not used to forecast total operating expenditure;</p> <p>1) whether there was a year of historic operating expenditure available that represents efficient, recurrent costs; and</p> <p>2) if not, why no year of historic operating expenditure represents efficient, recurrent costs.</p> <p>(vi) any non-recurrent or one-off costs in the base year and each year of the next access arrangement period.</p>	<p>(a) Please refer to Chapter 7.</p> <p>(b) Please refer to Chapter 7.</p> <p>(c) Please refer to Attachments 7.1-7.6.</p> <p>(d) Please refer to Chapter 7.</p>

RIN Requirement	Response
<p><i>Output growth drivers</i></p> <p>7.3 Provide:</p> <p>(a) all output growth drivers included in the forecast;</p> <p>(b) any economies of scale factors applied to the growth drivers;</p> <p>(c) evidence that the growth drivers explain cost changes due to output growth;</p> <p>(d) any weightings applied if multiple output growth drivers have been used.</p>	<p>7.3 Please refer to Chapter 7.</p>
<p>7.4 Explain:</p> <p>(a) how the growth drivers have been applied in the operating expenditure forecast;</p> <p>(b) how the forecast method accounts for economies of scale.</p>	<p>7.4 Please refer to Chapter 7.</p>
<p><i>Real price changes</i></p> <p>7.5 Explain:</p> <p>(a) how the real price measures have been applied in the operating expenditure forecast;</p> <p>(b) whether the labour price measure compensates for any form of labour productivity change.</p>	<p>7.5 Please refer to Chapter 7.</p>
<p><i>Productivity change</i></p> <p>7.6 Explain:</p> <p>(a) how the forecast changes in productivity have been applied in the operating expenditure forecast;</p> <p>(b) whether the forecast productivity changes capture the historic trend of cost increases due to new regulatory obligations or requirements and changes to industry best practice;</p> <p>(c) whether the productivity measure used to forecast operating expenditure includes productivity change compensated for by the labour price measure used to forecast the change in the price of labour.</p>	<p>7.6 Please refer to Chapter 7.</p>

RIN Requirement	Response
<p><i>Step changes</i></p> <p>7.7 For all step changes in forecast operating expenditure (including due to changes in policies, strategies and obligations) provide:</p> <p>(a) a description of the step change including when the change occurred, what its driver is, and how the driver has changed (e.g. the change in a regulatory obligation);</p> <p>(b) demonstration, including all supporting justifications, for when and how the step change affected or is expected to affect expenditures (historic and forecast), with respect to:</p> <p>(i) any of the opex categories</p> <p>(ii) total operating expenditure</p> <p>(c) If the step change was due to a change in a regulatory obligation or requirement:</p> <p>(iii) any variations or exemptions granted during the previous access arrangement period or the current access arrangement period;</p> <p>(iv) any compliance audits conducted during the previous access arrangement period or the current access arrangement period;</p> <p>(v) whether or not a 'do nothing' option was considered and how the risks of this option were assessed and compared with other options;</p> <p>(vi) with reference to specific sections of the relevant legislative instrument, versions of both the previous and new regulatory obligations or requirements driving the step change;</p> <p>(d) the process undertaken to identify and quantify the step change,</p> <p>(e) whether the step change is recurrent in nature;</p> <p>(f) any cost benefit analysis that was undertaken in determining the efficient costs in addressing the step change.</p> <p>(g) anything else AGN SA considers relevant in considering the nature and materiality of the step change in relation to forecast operating expenditure.</p>	<p>7.7 Please refer to Attachment 7.1.</p>

RIN Requirement		Response
7.8	Explain: (a) why the efficient costs of the step change are not provided by other aspects of the operating expenditure forecast including, for example, base operating expenditure, output growth, real price growth or forecast productivity change; and (b) why the step change is required to contribute to a total forecast operating expenditure that reasonably reflects the criteria set out in Rule 91(1) of the NGR.	7.8 Please refer to Attachment 7.1.


RIN Requirement	Response
Self-insurance	
7.9 Provide, the following information for each self-insurance event listed in regulatory templates 23(a) and 23(b):	7.9 Not applicable.
(a) the name and a description of the self-insurance event;	
(b) a description of the risk exposure, including cover, exclusions, limit;	
(c) a record of all historic incidences and associated losses of the event for which self-insurance is being sought;	
(d) the proposed allowance for each regulatory year;	
(e) if the allowance relates to a deductible or an excess on a commercial insurance policy, identify and provide the amount of deductible risk to which AGN SA is exposed;	
(f) whether the self-insurance event is in relation to a particular asset or class of assets and, if so, identify those assets or classes;	
(g) reasons for self-insuring the event;	
(h) why compensation should be provided for the risk. Where insurance is available from a commercial insurer and an insurance quote has been obtained, provide evidence that it is more efficient to self-insure for that risk. Confirm that the risk for which self-insurance is being sought is not recovered through any other mechanism;	
(i) if the event has not previously been self-insured, reasons why it is now being proposed to be self-insured and how the risk of the event was treated in the current access arrangement period;	
(j) if a proposed self-insurance event was previously insured externally, details of existing or previous insurance policies and reasons why external insurance is not being proposed for the next access arrangement period;	
(k) any quotes obtained from external insurers;	
(l) full details of how each self-insurance allowance has been calculated describing the modelling and key assumptions applied to calculate the premiums;	
(m) any consultant's report relied on by AGN SA in deriving the estimates;	
(n) a copy of AGN SA's decision making body's resolution (including the date of the resolution) to self-insure the event(s).	

RIN Requirement	Response
<p>7.10 If AGN SA is proposing self-insurance for asset failure risk in the access arrangement proposal:</p> <p>(a) provide:</p> <p style="padding-left: 40px;">(vii) the annual number of failures for each asset category for which self-insurance is being sought;</p> <p style="padding-left: 40px;">(viii) the historical costs for each asset failure.</p> <p>(b) describe what those costs relate to, including a split between conforming capital expenditure and operating expenditure.</p> <p>(c) explain:</p> <p style="padding-left: 40px;">(ix) where the self-insurance allowance is not based on the actual historical asset failure rates and costs, how the allowance has been forecast and why it is efficient;</p> <p style="padding-left: 40px;">(x) how the proposed conforming capital expenditure has been taken into account in calculating the probability of asset failure for each asset category for which self-insurance is being sought.</p>	<p>7.10 Not applicable.</p>

TABLE 8: INTERACTIONS BETWEEN CAPITAL AND OPERATING EXPENDITURE

RIN Requirement	Response
<p>8.1 Identify any material interactions in AGN SA's forecast conforming capital expenditure and forecast operating expenditure.</p>	<p>8.1 Please refer to Attachment 7.1.</p>
<p>8.2 Explain how these interactions have been taken into account when developing forecasts of capital expenditure and operating expenditure, and otherwise in providing responses to items under sections Error! Reference source not found. and Error! Reference source not found.</p>	<p>8.2 Please refer to Attachment 7.1.</p>

TABLE 9: RELATED PARTY TRANSACTIONS

RIN Requirement	Response
<p>9.1 Identify and describe all other entities which:</p> <p>(a) are a related party to AGN SA and contribute to the provision of distribution services; or</p> <p>(b) have the capacity to determine the outcome of decisions about the AGN SA's financial and operating policies.</p>	<p>9.1 Not applicable.</p> <p>Prior to 29 August 2014, APA Asset Management was a related party to AGN, with a 33% shareholding. Importantly though, APA Asset Management has never had an ability to determine the outcome of decisions about the financial and operating policies of the company.</p> <p>Since the acquisition of AGN (then Envestra) by the Cheung Kong Hutchinson Group of companies, APA Asset Management is no longer a related party to AGN.</p> <p>The Operating and Management Agreement between AGN and APA Asset Management is included in Part B of this Attachment to the Access Arrangement Information.</p> <p>The outsourcing arrangement is described in Section 2.4 of the AAI</p>
<p>9.2 Provide a diagram of the organisational structure depicting the relationships between all the entities identified in the response to section 8.</p>	 <pre> graph LR AGN[AGN] <--> OMA[Operating & Management Agreement] OMA <--> APA[APA] </pre>
<p>9.3 Identify:</p> <p>(a) all arrangements or contracts between AGN SA and any of the other entities identified in the response to section 8 which relate directly or indirectly to the provision of distribution services;</p> <p>(b) the service or services the subject of each arrangement or contract.</p>	<p>9.3 Not applicable.</p>
<p>9.4 For each service identified in the response to section 0:</p> <p>(a) provide:</p> <p>(i) a description of the process used to procure the service; and</p> <p>(ii) supporting documentation, including but not limited to requests for tender, tender submissions, internal committee papers evaluating the tenders, contracts between AGN SA and the relevant provider;</p> <p>(b) explain:</p> <p>(i) why that service is the subject of an arrangement or contract (i.e. why it is outsourced) instead of being undertaken by AGN SA itself;</p> <p>(ii) whether the services procured were provided under a stand alone contract or provided as part of a broader operational agreement (or similar);</p> <p>(iii) whether the services were procured on a genuinely competitive basis and if not, why; and</p>	<p>9.4 Not applicable.</p>

RIN Requirement	Response
(iv) whether the service (or any component thereof) was further outsourced to another provider.	
<p>9.5 For each arrangement or contract identified in the response to section 0 provide:</p> <p>(a) a copy of the arrangement or contract which sets out the obligations of both the other entity and AGN SA;</p> <p>(b) a breakdown of all services provided as part of that arrangement or contract;</p> <p>(c) a breakdown of costs for each service provided as part of the arrangement or contract, including separately identifying overheads, any profit margin or management fee and incentive payments;</p> <p>(d) a breakdown of all costs included in the contract price; and</p> <p>(e) any methodologies, including consultant's reports, or assumptions used to determine components of those costs included in the contract price.</p>	9.5 Not applicable.

TABLE 10: PROPOSED INCENTIVE MECHANISM

RIN Requirement		Response
10.1	Provide, for each incentive mechanism (including existing incentive mechanisms), details of the forecast revenue referable to increments for efficiency gains or decrements for efficiency losses for the next access arrangement period.	10.1 Please refer to Chapter 12.
10.2	Provide, for each proposed incentive mechanism:	10.2 Please refer to Chapter 12.
(a)	an explanation of the operation of the proposed incentive mechanism;	
(b)	an explanation of the rationale for the proposed incentive mechanism	
(c)	reference to the source documents used to derive exclusions and inclusions to calculate efficiency gains and losses for the next access arrangement period	
(d)	any relevant analyses or reports that support the proposed incentive mechanism.	

TABLE 11: RATE OF RETURN FOR THE PROJECTED CAPITAL BASE

RIN Requirement		Response
11.1	The rate of return guideline sets out: ¹	11.1 Please refer to Chapter 10.
(a)	the AER's proposed positions on the elements for assessing the rate of return including the return on equity and return on debt;	
(b)	the estimation methods, financial models, market data and other evidence that the AER proposes to take into account when estimating the allowed rate of return;	
(c)	the way in which the AER proposes to take into account the estimation methods, financial models, market data or other evidence.	
	If AGN SA proposes any departures from the (methods, etc.) referenced in section (a) or (b), provide reasons for this departure.	
11.2	Provide:	11.2 Please refer to Chapter 10.
(a)	a description of AGN SA's actual debt and equity raising costs; and	
(b)	an explanation of the methodology which AGN SA is proposing for the expenditure required to compensate for debt and equity raising costs.	

¹ AER, Better Regulation: Rate of return guideline, December 2013, <http://www.AER.gov.au/sites/default/files/AER%20Rate%20of%20return%20guideline%20-%20December%202013.pdf>

TABLE 12: PROVISIONS

RIN Requirement		Response
12.1	For all provisions specified in regulatory template 21, provide:	12.1 Not applicable.
(a)	a detailed definition of the provision;	
(b)	the reasons for increases to the provision, including:	
(i)	any consultant's advice, including actuarial reports; or	
(ii)	if there is no consultant's advice, identify and provide the process AGN SA undertook in determining the increase in provisions.	

TABLE 13: CAPITAL BASE

RIN Requirement		Response
13.1	Provide AGN SA's roll forward model in support of its access arrangement proposal, including AGN SA's calculation of the opening and closing capital base for each regulatory year of the current access arrangement period and next access arrangement period.	13.1 Please refer to Chapter 9 and Attachment 1.4.
13.2	If AGN SA proposes to change the underlying methods in its roll forward model compared with the roll forward model that was approved for the previous access arrangement proposal for the calculation referred to in section 12, describe the reasons for the changes and separately provide any information which is no longer provided.	13.2 Not applicable.
13.3	If the opening value of the capital base as at the start of the next access arrangement period is proposed to be adjusted because of re-use of redundant assets or exclusion of redundant assets, provide details including relevant supporting information used to calculate that adjustment value.	13.3 Not applicable.

TABLE 14: DEPRECIATION SCHEDULES

RIN Requirement	Response
<p>14.1 Provide AGN SA's post-tax revenue model in support of its access arrangement proposal, including calculation of the depreciation amounts for the relevant distribution system for each regulatory year of:</p> <p>(a) the current access arrangement period using AGN SA's roll forward model;</p> <p>(b) the next access arrangement period using AGN SA's post-tax revenue model,.</p>	<p>(a) Please refer to Attachment 1.4.</p> <p>(b) Please refer to Attachment 1.5.</p>
<p>14.2 If AGN SA proposes to change the underlying methods in its roll forward model and post-tax revenue model compared with the roll forward model and post-tax revenue model which were approved for the previous access arrangement proposal for the calculations referred to in 0, describe the reasons for the changes and separately provide any information which is no longer provided.</p>	<p>14.2 Not applicable.</p>
<p>14.3 Identify any changes to standard asset lives for existing asset classes approved for the previous access arrangement proposal. Explain the reason/s for the change and provide relevant supporting information.</p>	<p>14.3 Not applicable.</p>
<p>14.4 For any proposed new asset classes, explain the reason/s for using these new asset classes and provide relevant supporting information on their proposed standard asset lives.</p>	<p>14.4 Not applicable.</p>
<p>14.5 If existing asset classes approved for the previous access arrangement proposal are proposed to be removed and their residual values to be reallocated to other asset classes, explain the reason/s for the change and provide relevant supporting information. This should include a demonstration of the materiality of the change on the forecast depreciation allowance.</p>	<p>14.5 Not applicable.</p>
<p>14.6 Describe the method used to calculate the remaining asset lives for existing asset classes as at 1 July 2015 and provide supporting calculations.</p>	<p>14.6 Please refer to Attachment 1.4.</p>

TABLE 15: CORPORATE INCOME TAX

RIN Requirement	Response
15.1 Provide AGN SA's calculation of the estimated cost of corporate income tax for the next access arrangement period using AGN SA's post-tax revenue model,	15.1 Please refer to Attachment 1.5.
15.2 Provide a demonstration that the calculation referred to in 13 complies with Rule 87A of the NGR.	15.2 Please refer to Attachment 1.5.
15.3 If AGN SA proposes to change the underlying methods in its post-tax revenue model compared with the approved post-tax revenue model for the previous access arrangement proposal for the calculations referred to in 13, describe the reasons for the changes and separately provide any information which is no longer provided.	15.3 Not applicable.
15.4 Identify any changes to tax depreciation rates for existing asset classes approved for the previous access arrangement proposal. Explain the reason/s for the change and provide relevant supporting information, including identifying tax laws governing depreciation for tax purposes.	15.4 Not applicable.
15.5 Describe the method used to calculate the tax depreciation rates as at 1 July 2015 and provide supporting calculations, if the approach differs from that in the approved roll forward model for the previous access arrangement proposal.	15.5 Please refer to Attachment 1.4.
15.6 Provide AGN SA's calculation of the tax asset base for each regulatory year of the current access arrangement period and next access arrangement period using AGN SA's roll forward model.	15.6 Please refer to Attachment 1.4.
15.7 If AGN SA proposes to change the underlying methods in its post-tax revenue model compared with the approved post-tax revenue model for the previous access arrangement proposal for the calculations referred to in 0 describe the reasons for the changes and separately provide any information which is no longer provided.	15.7 Not applicable.
15.8 Identify any differences in the capitalisation of expenditure for regulatory accounting purposes and tax accounting purposes. Provide reasons and supporting calculations to reconcile any differences between the two forms of accounts.	15.8 Not applicable.
15.9 Provide calculations to demonstrate if a tax loss carried forward exists as at 1 July 2015. The figures used in these calculations, such as the revenue and operating expenses, must be actuals (with the exception of the final year of the current access arrangement period that requires an estimate). Identify and provide reasons for any assumptions applied to determine the value of any tax loss carried forward.	15.9 Not applicable.

TABLE 16: REVENUES AND PRICES FOR REFERENCE SERVICES

RIN Requirement	Response
16.1 Provide:	
(a) AGN's calculation of the unsmoothed and smoothed revenues, and prices for the purposes of the reference tariff variation mechanism proposed by AGN using AGN's post-tax revenue model.	(a) Please refer to Attachment 1.5.
(b) If AGN proposes to change the underlying methods in its post-tax revenue model compared with the approved post-tax revenue model for the previous access arrangement proposal for the calculations referred to in 14(a), describe the reasons for the changes and separately provide any information which is no longer provided.	(b) Not applicable.

TABLE 17: TARIFFS

RIN Requirement	Response
Total revenue allocation	
17.1 Provide:	17.1 Please refer to Chapter 15.
(a) an explanation, including any relevant calculations, of the methods or principles used to allocate relevant cost pools;	
(b) for rebateable services, a description of the mechanism that AGN SA will use to apply an appropriate portion of the revenue generated from the sale of rebateable services to price rebates (or refunds) to users of reference services (see Rule 93 of the NGR).	
<i>Tariffs – distribution pipelines</i> (see Rule 94 of the NGR)	
17.2 For each tariff, and if it consists of two or more charging parameters, each charging parameter for a tariff class, provide:	17.2 Please refer to Chapter 15.
(a) a description of how AGN SA has taken into account the long run marginal cost for the reference service or, in the case of a charging parameter, for the element of the service to which the charging parameter relates;	
(b) details of the transaction costs associated with the tariff or each charging parameter;	
(c) whether customers belonging to the relevant tariff class are able or likely to respond to price signals; and	
(d) an explanation of the methodology used to allocate costs.	

RIN Requirement	Response
Prudent discounts (see Rule 96 of the NGR)	
17.3 Identify all prudent discounts that AGN SA proposes for the next access arrangement period and the users to whom they will apply and explain:	17.3 Please refer to Chapter 15.
(a) how each prudent discount is necessary to respond to competition or maintain efficient use of the pipeline; and	
(b) whether, including relevant calculations, reference tariffs would be higher without the prudent discount than they would be with the prudent discount.	

TABLE 18: REFERENCE TARIFF VARIATIONS

RIN Requirement	Response
<i>Reference tariff variation mechanism</i>	
18.1 Provide an explanation of:	18.1 Please refer to Chapter 16.
(a) the proposed reference tariff variation mechanism and the basis for any parameters used in the mechanism; and	
(b) the administrative arrangements for periodic reviews of tariffs including the timing of notifications to the AER.	
18.2 Identify:	18.2 Please refer to Chapter 16.
(a) the possible effects of the proposed reference tariff variation mechanism on AGN SA's administrative costs and, if known, the administrative costs of users or potential users; and	
(b) all relevant regulatory arrangements AGN SA considers applicable to the relevant reference services before the commencement of the proposed reference tariff variation mechanism.	
<i>Cost pass through mechanism</i>	
18.3 Provide:	
(a) a definition and description of each cost pass through event;	(a) Please refer to Section 4.5 of the Access Arrangement.
(b) an explanation of how each cost pass through event is uncontrollable;	(b) Please refer to Chapter 16.
(c) an explanation of whether the costs of the cost pass through event are already provided for through the operating expenditure or capital expenditure forecasts, the WACC (events which affect the market generally and not just the provider are systemic risk and already compensated through the WACC), or any other mechanism or allowance; and	(c) Please refer to Chapter 16.
(d) an explanation of the administrative arrangements for cost pass through events and their relationship to other periodic reviews for other tariff variation mechanisms including the timing of notifications to the AER.	(d) Please refer to Section 4.6 of the Access Arrangement.

RIN Requirement		Response
18.4	Identify:	
(a)	the materiality threshold AGN SA proposes for cost pass through events;	(a) Please refer to Section 4.5 of the Access Arrangement.
(b)	the possible effects of the proposed cost pass through mechanism on AGN SA's administrative costs and, if known, the administrative costs of users or potential users; and	(b) Please refer to Chapter 16.
(c)	all relevant regulatory arrangements AGN SA considers applicable to the relevant reference services prior to the commencement of the proposed cost pass through mechanism.	(c) Please refer to Chapter 16.

TABLE 19: NON-TARIFF COMPONENTS

RIN Requirement		Response
Non-tariff terms and conditions		
19.1	Provide:	19.1 Please refer to Chapter 17.
(a)	details of any amendments to the non-tariff terms and conditions of the access arrangement that AGN SA proposes for the next access arrangement period; and	
(b)	for each amendment identified in section 17(a), explain the reasons for the proposed amendment.	
Queuing requirements		
19.2	Provide details of the process or mechanism for order of priority for spare or developable capacity, (for example, whether it is to be as a first-come-first-served basis or by auction).	19.2 Please refer to Chapter 17.
Capacity trading requirements		
19.3	Identify the rules or procedures AGN SA must accord with under Rule 105 of the NGR.	19.3 Please refer to Chapter 17.
<i>Extension and expansion requirements</i> (see Rule 104 of the NGR)		
19.4	Provide:	19.4 Please refer to Chapter 17.
(a)	details of any extension and expansion requirements where that extension and expansion requirement states that the access arrangement will apply to incremental services to be provided as a result of the extension or expansion;	
(b)	details of the effect of those extension or expansion requirements identified in section 14.4(a) on tariffs.	

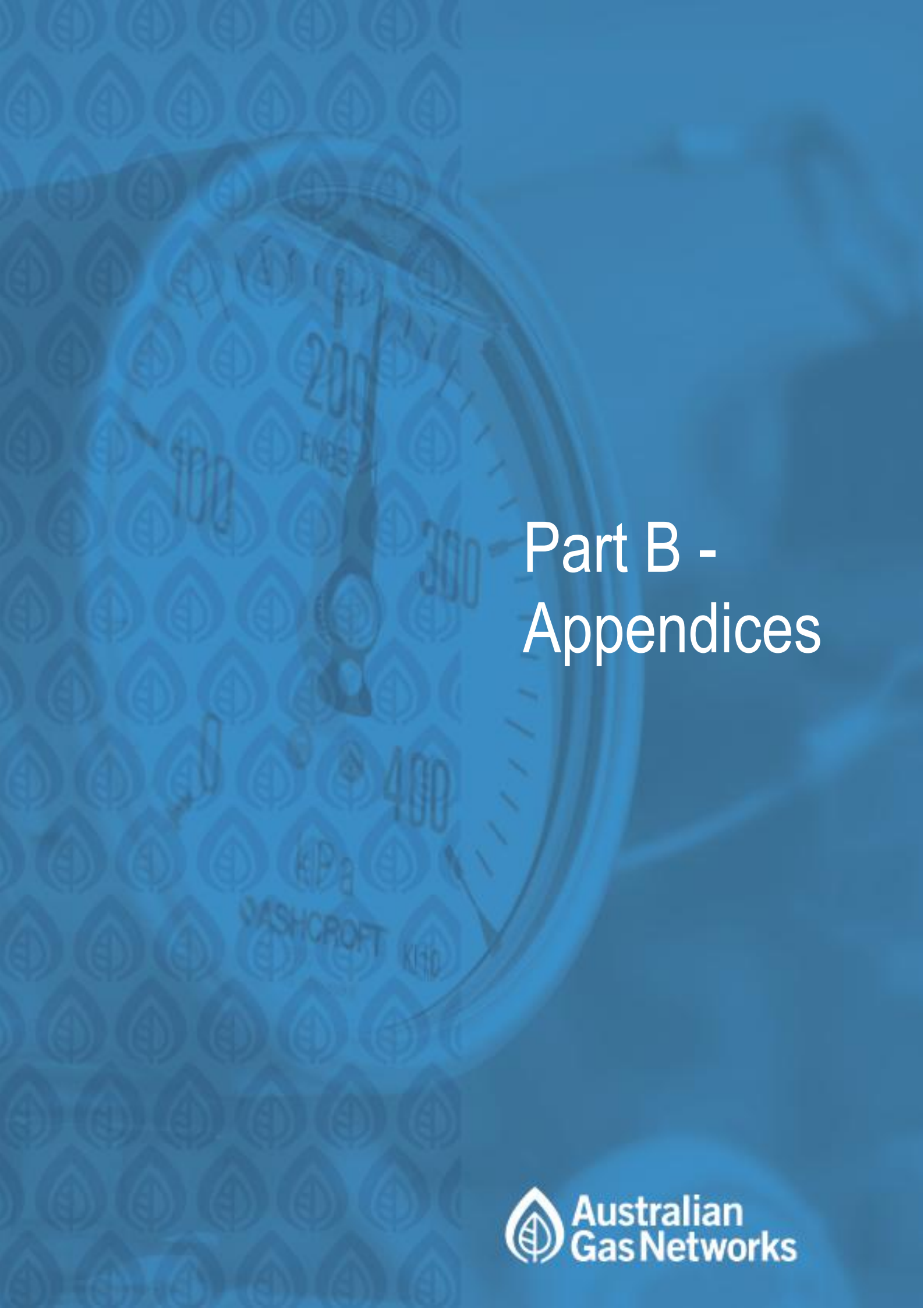
RIN Requirement	Response
Change of receipt or delivery point by user	
19.5 Explain:	19.5 Please refer to Section 7.2 of the Access Arrangement.
(a) how users may obtain consent, including identifying any relevant conditions, to change receipt or delivery points as contemplated under Rule 106 of the NGR;	
(b) where relevant, the technical or commercial considerations and other relevant conditions in the event AGN SA intends to withhold consent to a change in a receipt or delivery point.	

TABLE 20: POLICIES AND PROCEDURES

RIN Requirement	Response
20.1 List and provide a brief description of key internal plans, policies, procedures or strategies that are used to plan and conduct AGN SA's day to day operations and that have been relied upon in the development of the access arrangement proposal. This includes:	The forecasts and estimates used in our AA Proposal have been subject to a rigorous verification process, the key features of which are summarised in sections 1.4 and 8.4.2 of the AAI.
(a) plans, policies, procedures or strategies applicable to the management, maintenance, and planning of networks, for example - augmentation and planning, cost estimation, asset management, condition monitoring and replacement, operations and maintenance, and demand, energy supply and customer growth forecasting;	Section 2.4 (and associated attachments) describe our outsourcing arrangement with APA Asset Management, whose considerable expertise is relied upon to inform this AA Proposal.
(b) plans, policies, procedures or strategies applicable to investment decision making and the allocation of costs, for example - risk assessment and management, investment evaluation, prioritisation and options analysis, corporate governance and investment approval, procurement, project management, and cost allocation.	AGN has also relied on its stakeholder engagement program for South Australia to inform both our AA Proposal and business operations more generally. The stakeholder engagement program is described in Chapter 3 (and associated attachments), Section 7.3 and Section 8.4.2 of the AAI. The Overarching business plans that have informed our AA Proposal are described in Section 8.4.2 of the AAI, and include the Asset Management Plan, Capacity Management Plan, Mains Replacement Plan and Information Technology plan. Specific business case justifications set out detailed project analysis, including risk assessment and options analysis. The business cases are set out in Attachment 7.1 to the AAI. AGN has also relied on tender outcomes to inform costs estimates, which are described in Attachments 8.5 and 8.6 to the AAI. Given the technical nature of demand, AGN engaged Core Energy to prepare customer number and demand forecasts as part of this AA Proposal. The Core Energy report and model has been provided as Attachments 14.1, 14.2 and 14.3 to the AAI.
20.2 Identify any internal plans, policies, procedures and strategies that have changed in the current access arrangement period or that will change before the next access arrangement period where the change has had a material impact on forecast expenditures for the next access arrangement period.	The above plans are regularly updated for new information that becomes available to the business.

TABLE 21: CONFIDENTIAL INFORMATION

RIN Requirement		Response	
21.1	If AGN SA wishes to make a claim for confidentiality over any AGN SA information, provide the details of that claim in accordance with the requirements of AER's Confidentiality Guideline, ² as if it extended and applied to that claim for confidentiality.	21.1	Please refer to Attachment 1.8.
21.2	Provide any details of a claim for confidentiality in response to section 19 at the same time as making the claim for confidentiality.	21.2	Please refer to Attachment 1.8.
21.3	Confirm, in writing, that AGN SA consents to the AER disclosing all other AGN SA information on the AER website.	21.3	Please refer to Attachment 1.8.



Part B - Appendices

Appendix A: Background to the Pipeline

The RIN specifies:

For the current access arrangement period for each pipeline service provided by the way of AGN SA's gas distribution system that is not specified as a reference service in AGN SA's access arrangement proposal, provide:

- a. *The annual volume of demand in GJ; and*
- b. *Numbers of users*

Each of AGN's non-reference services are listed in Table 1, with the number of services carried out in each year of the current Access Arrangement Period, so far.

As evident from the services listed below, volume data is not relevant for these particular services.

TABLE 1: NON-REFERENCE SERVICES AND NUMBER OF USERS

Service	2011/12	2012/13	2013/14	2014/15
Aggregation Charge	11	12	12	15
High Account Investigation	24	39	58	53
Same Day Premium Charge	16	6	0	0
Meter Alter Position	151	120	110	101
Meter Alter Position – quotation not accepted	22	48	17	21
Cut-off Service in Street for Debt	23	1	0	0
Incomplete Meter Fix	4	2	1	11
Remove Second Meter and Reconfigure Outlet	3	0	0	0
Appointment for Special Read – Metro (AM/PM)	995	1,772	2,118	2,013
No Access (gas meter)	2,420	2,386	2,358	2,705
Other	26	38	45	25
Reconnect Service in Street After Cut Off	17	4	0	0
Relocate Service Pipe	5	2	1	3
Sub Meter Charge	11	12	12	15
Upgrade Service Request	0	1	0	0
Meter Removal	1,403	1,829	1,463	1,657
Meter Reinstallation	119	111	73	64
Meter Gas and Installation Test	44	76	48	61
Total	5294	6459	6316	6744

Note: 2014/15 numbers are based on 9 months of actual information and 3 months of estimates.

Appendix B: Enterprise Agreement (*provided separately*)

Appendix C: Deliverability

AGN's ability to deliver its forecast program of work contained within this Access Arrangement Information (AAI) is outlined below.

1.1 Financial Deliverability

The forecasts set out in the capex and opex plans within this Access Arrangement Information (AAI) are consistent with the levels of financing requirements that we have demonstrated an ability to comfortably fund over the past two to three years.

AGN is a well established issuer in the US Private Placement market, with our most recent issue being a three times oversubscribed. This is consistent with earlier issuances, which are commonly several times oversubscribed.

AGN also has a strong and well established relationship with its banking group, comprising all four Australian major banks and offshore banks.

As part of the Cheung Kong Group, it is evident to AGN that there has been an increased strategic focus on the part of banks (both existing and prospective new relationship banks) to deepen and broaden their provision of funding facilities and related services with AGN.

Furthermore, the next debt refinancing is not due until 2018, which significantly limits any financing risk across the business. This reflects the long term tenor of debt issued by the businesses.

1.2 Operational Deliverability

Over the current Access Arrangement (AA) period, AGN has demonstrated its ability to effectively manage an increase in the capex program delivered in South Australia. For example, AGN has delivered the full mains replacement program approved by the AER for the current AA period, which provided for a 45% (or 634 km) increase in mains replacement volumes relative to the previous AA period.

Likewise, AGN has delivered an increase in its capex program of 136% (or \$283 million) over the current AA period relative to the previous AA period. AGN is seeking a far lower increase in capex to apply for the next AA period.

AGN considers that its approach to managing contractors is a key factor contributing to its track record of delivering on its capex program. AGN has established a contractor panel and tendering processes to provide contractors with the certainty they need to make the capital investments required to facilitate the efficient delivery of our capex program.

The processes implemented by AGN provide a lead in time of up to three years in planning and awarding capital works. This approach is prudent and efficient as it:

- provides sufficient certainty to contractors to make necessary investments in the skilled labour and capital required to undertake capital works;
- provides certainty over volumes of work over a long period of time to ensure economies of scale and scope benefits are captured;
- provides sufficient time for AGN to arrange for the necessary funding of the program (as noted above); and
- provides greater certainty over the capability to deliver the capex program in the most efficient manner.

Appendix D: OMA (*confidential*)